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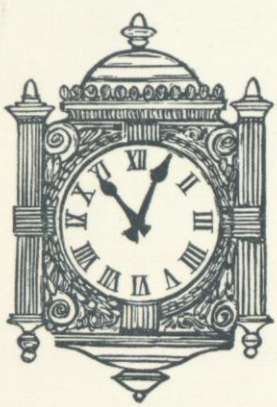

ANNUAL REPORT OF

# MARSHALL FIELD & COMPANY

YEAR ENDED JANUARY 31, 1957

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# MARSHALL FIELD & COMPANY

*founded in 1852*
*an Illinois corporation*
*incorporated in 1901*

*general offices:*
25 EAST WASHINGTON STREET, CHICAGO 2, ILLINOIS

# 1956

## ANNUAL REPORT TO SHAREHOLDERS

*General Counsel*
**WILSON & McILVAINE**
*Chicago*

*Public Accountants*
**ARTHUR ANDERSEN & CO.**
*Chicago*

*Transfer Agents*
**CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO**
*Chicago*

**GUARANTY TRUST COMPANY OF NEW YORK**
*New York*

*Registrars*
**THE FIRST NATIONAL BANK OF CHICAGO**
*Chicago*

**BANKERS TRUST COMPANY**
*New York*

## BOARD OF DIRECTORS

JOHN M. BUDD
*President,*
*Great Northern Railway Company*

KENT CHANDLER
*Vice Chairman of Executive Committee and Secretary,*
*A. B. Dick Company*

MARSHALL FIELD, JR.
*Editor and Publisher,*
*Chicago Sun-Times*

STANLEY FIELD
*President,*
*Chicago Natural History Museum*

CHARLES Y. FREEMAN
*Director,*
*Commonwealth Edison Company*

HENRY P. ISHAM
*President,*
*Clearing Industrial District, Inc.*

WILLIAM V. KAHLER
*President,*
*Illinois Bell Telephone Company*

HUGHSTON M. McBAIN
*Chairman,*
*Marshall Field & Company*

HAROLD J. NUTTING
*Executive Vice President,*
*Marshall Field & Company*

JAMES L. PALMER
*President,*
*Marshall Field & Company*

JAMES SIMPSON, JR.
*Farmer*

JOHN P. WILSON
*Partner,*
*Wilson & McIlvaine*

## CORPORATE OFFICERS

HUGHSTON M. McBAIN, *Chairman*

JAMES L. PALMER, *President*

HAROLD J. NUTTING
*Executive Vice President*

WILLIAM S. STREET
*Executive Vice President*

PAUL M. HAMMAKER
*Senior Vice President*

DAVID W. DAVIDSON
*Vice President*

GERALD A. SIVAGE
*Vice President*

JOHN D. ANDERSEN
*Vice President and Comptroller*

RALPH E. BOWERS
*Vice President and Secretary*

JOHN McKINLAY, JR.
*Vice President and Treasurer*

GEORGE G. RINDER
*Assistant Comptroller*

ARTHUR JACKSON
*Assistant Secretary*

CHARLES M. RHODES
*Assistant Treasurer*

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## DIVISION OFFICERS

PUBLIC RELATIONS AND DEVELOPMENT DIVISION

EARL KRIBBEN
*Vice President*
*Civic Affairs*

JOHN T. MOSS
*Vice President*
*Architecture and Design*

CHICAGO STORES DIVISION

CLARENCE T. GREGG
*Vice President*
*Merchandising*

CHARLES C. HOLLOWAY
*Vice President*
*Merchandising*

DONALD K. KEITH
*Vice President*
*Suburban Stores*

HARRY D. PERKINS
*Vice President*
*Merchandising*

LLOYD H. RICHMOND
*Vice President*
*Personnel*

WILLIAM C. STETSON
*Vice President*
*Merchandising*

JASPER UTZ
*Vice President*
*Sales Promotion*

FREDERICK & NELSON DIVISION

CORNELIUS J. BYRNE
*Vice President*
*Merchandising*

MYRON C. LAW
*Vice President*
*Operating*

**THE STORY IN BRIEF**
*(in thousands of dollars)*

| | Fiscal Year Ended | |
|---|---|---|
| | January 31, 1957 | January 31, 1956 |
| Net Sales | $211,000 | $201,300 |
| Income before Federal Taxes | 15,500 | 15,400 |
| Federal Taxes on Income | 8,000 | 8,000 |
| Net Income | 7,500 | 7,400 |
| Federal Taxes per Common Share | 4.10 | 4.13 |
| Net Income per Common Share | 3.54 | 3.49 |
| Dividends Declared per Common Share | 2.25 | 2.00 |
| Current Net Income Retained in the Business | 2,500 | 2,900 |
| Cash and Securities | 29,600 | 38,400 |
| Accounts Receivable | 26,000 | 25,500 |
| Merchandise Inventories | 32,600 | 29,300 |
| Merchandise on Order | 10,900 | 9,500 |
| Current Assets | 89,500 | 94,900 |
| Current Liabilities | 26,200 | 24,800 |
| Net Working Capital | 63,300 | 70,100 |
| Ratio of Current Assets to Current Liabilities | 3.4 | 3.8 |
| Fixed Assets | 64,900 | 55,500 |
| Expenditures for Plant and Equipment | | |
| Stores in Operation | 1,900 | 1,800 |
| New Stores | 10,800 | 4,500 |
| Depreciation | 3,300 | 3,000 |
| Long-term Debt | 30,000 | 30,000 |
| Amount Paid in for Capital Stock | 41,200 | 41,000 |
| Earned Surplus | 57,100 | 54,500 |
| Book Value per Common Share | 42.70 | 41.45 |
| Number of Shareholders | 15,914 | 15,962 |

# MARSHALL FIELD & COMPANY

*The Board of Directors submits to the Shareholders this annual report for the fiscal year ended January 31, 1957.*

## OPERATING RESULTS

Your Company's net income for the year ended January 31, 1957 was $7,537,000 compared with $7,414,000 for the preceding year.

Operating results are summarized in the following table:

| | 1956 | 1955 |
|---|---|---|
| NET SALES | $211,004,000 | $201,257,000 |
| Wages, salaries and employe benefit costs | 51,681,000 | 49,414,000 |
| Cost of merchandise and miscellaneous expenses | 143,240,000 | 135,882,000 |
| Net interest expense | 551,000 | 522,000 |
| Federal income taxes | 7,996,000 | 8,025,000 |
| NET INCOME | 7,537,000 | 7,414,000 |
| NET INCOME PER COMMON SHARE | $3.54 | $3.49 |

The slight decline in ratio of net income to sales was more than accounted for by the nonrecurring expense of opening two new stores.

The quarterly dividend rate of fifty cents per Common Share was maintained during the current fiscal year as it has been for the preceding nine years. An extra dividend of twenty-five cents per Common Share was paid on April 30, 1956. Quarterly dividends of varying amounts have been paid in each of the past seventeen years.

## FINANCIAL DATA

The principal change in the Company's balance sheet during the year was a reduction in cash and securities from $38,400,000 to $29,600,000. This amount approximates the increase in the book value of fixed assets from $55,500,000 to $64,900,000. Our capital investment in new stores and in the enlargement of the Park Forest store exceeded the amount of this increase.

The cash position of the Company continues strong and appears adequate for contemplated future expansion. Merchandise inventories increased 11%, and accounts receivable increased slightly during the year. Earned surplus increased from $54,500,000 to $57,100,000. The ratio of current assets to current liabilities decreased from 3.8 to 1, to 3.4 to 1.

Our total merchandise on hand and on order on January 31, 1957 was $43,500,000 compared with $38,700,000 on the same date in the preceding year. The greater part of this increase was required for our new stores.

There has been no appreciable change in your Company's annual rent obligation under long-term leases on properties now in operation. This amount is less than $300,000 per annum.

Payments toward the 1956 cost of our Retirement Program were $1,830,000. On January 15, 1957 the value of assets in our Pension Trust was $31,400,000. Since its inception a total of $4,774,000 has been paid out of this Trust to 2,730 retired employes.

Our total capital expenditures on stores in operation throughout the past fiscal year were $1,900,000, considerably less than the charge of $3,000,000 for depreciation on these same properties. Among the largest items included in these expenditures was the cost of modernizing two of the restaurants in our downtown store in Chicago.

Our total capital outlay during the past year on new stores and related projects was $10,800,000. Two newly opened stores accounted for most of this expenditure. During the year we purchased an office building located on property across the street from our Frederick & Nelson store in Seattle. This building has been leased on a short-term basis. Eventually it probably will be replaced with parking facilities such as now occupy the adjoining area.

Again in the coming year we expect our capital expenditures on stores now in operation to be less than our charge for depreciation. Among improvements contemplated are the modernization of the toy department and parts of the Budget Floor in our downtown store in Chicago. On the whole our physical properties are in excellent condition.

**EXPANSION PROGRESS**

Our Old Orchard store, located in Skokie, Illinois, was opened on October 22, 1956. The facilities of the store and the beauty of its design and decor have attracted exceptionally favorable comment. Nonrecurring pre-opening expenses at Old Orchard adversely affected our third quarter earnings but the store gives every indication of being very successful.

Our new store in Bellevue, Washington, was opened August 8, 1956. Its sales volume has been about as planned, and far ahead of that of the small store it replaced.

The enlargement of our store in Park Forest, Illinois, which was opened in March 1955, has been practically completed. The store is currently experiencing very substantial sales gains.

Our Evanston, Oak Park and Lake Forest stores, all of which were opened nearly thirty years ago, have been somewhat affected by competitive developments and the opening of our own Old Orchard store. All three of these stores are in prosperous and rapidly growing areas, however, and we are confident they will continue to be profitable Company units. During the next few years we plan to expend substantial sums in improving their facilities and attractiveness.

Our main stores in downtown Chicago and Seattle continue to produce much the greater part of our earnings. Both of these stores are somewhat unique in character and have very strong customer appeal. Particularly in light

of the many improvements being made in the facilities and accessibility of the Chicago and Seattle downtown areas, and regardless of the extent of the trend toward new suburban shopping centers, there is every indication that our downtown units will continue to be highly profitable operations.

Plans for our store in the Mayfair shopping center in Wauwatosa, a suburb of Milwaukee, Wisconsin, are now proceeding rapidly. We expect to break ground this spring. Indications are that the store will be opened in 1958.

Preliminary work is going forward on the development of a large shopping center about 16 miles west and a little south of the Chicago Loop. We expect to open a store in that center, probably in 1960. Each of these new stores will approximate our Old Orchard store in size and character.

During the coming summer we plan to open a fine restaurant in the Old Orchard shopping center. This restaurant will be separate and apart from our Old Orchard store.

We call your attention to the special report enclosed. We think you will find it useful in appraising the progress being made by your Company. We hope, too, that it will help you visualize the splendid facilities we have been providing for our customers in both our new and older stores.

**PERSONNEL MATTERS**

We record with deep personal sorrow the death on November 8, 1956, of Mr. Marshall Field III. He had served as a member of your Board of Directors for thirty-eight years, between 1915 and 1953. Throughout this period he was a devoted and valued associate, always vitally interested in the progress of your Company. Like his grandfather, the founder of this business, Mr. Field also had a distinguished career in cultural and civic affairs throughout the country. All who knew him well held him in highest esteem for his integrity, his modesty, the breadth of his interests, his kindliness and his genuine concern for the welfare of others.

Mr. Charles Y. Freeman recently announced his intention not to stand for re-election as a Director of your Company. Mr. Freeman is the retired Chairman of the Commonwealth Edison Company and has rendered distinguished service as a member of your Board of Directors since 1942. We deeply regret his retirement from the Board. At the January 1957 meeting of the Board of Directors the By-Laws of the Company were amended to decrease the number of directors from twelve to eleven.

Mr. Jean L. Schureman, formerly Senior Vice President of the Company and General Merchandise Manager of our Chicago stores, who for reasons of health late in 1955 asked to be relieved of the heavy responsibilities inherent in that position, has been appointed Director of Import Operations of the Company.

Mr. David W. Davidson, Assistant General Merchandise Manager of our Chicago stores, was elected a Vice President of the Company on April 25, 1956.

**GENERAL COMMENTS**

On the whole we view the immediate future with optimism, particularly in light of our rapid population growth and continuing improvement in our

standard of living. Wage levels and other costs of doing business continue to increase, and competition continues to become more vigorous. Your Company is in a very strong position, however, and no downward trend in consumer buying power has taken place. Our economic and political climate in the main appears to be more favorable than it was some years ago.

Our greatest concern lies not within our Company but rather in the state of international affairs and in what seems to be a strong current tendency in government to revert to liberal and sometimes unsound spending of public funds. Our confidence in the executive and legislative branches of our government would be greater if ideas of thrift and economy as exemplified by the Hoover Commission recommendations were receiving more attention than they now are being given. We believe that the widespread and still-increasing extension by the federal government of its activities into business, personal and local affairs is not in the best interest of the country or its economy. We believe also that continual expansion of the federal budget serves no purpose except to promote inflation and weaken the moral fibre of the people. Hopeful as we are about the future of your Company, our confidence would be greatly enhanced if some of the economic and political tendencies now prevalent in the affairs of government were reversed.

The impact of taxes upon the operation of your Company should be a matter of serious concern to its Shareholders. All taxes paid directly by us last year to federal and local governments totaled $18,900,000. Of this total, sales and excise taxes of $7,200,000 were charged to our customers. The balance of $11,700,000, or about $6.00 per Common Share, comprised one of our major costs of doing business.

Success in a business such as ours rests in large measure upon the loyalty and skill of our thousands of employes, the goodwill of our many customers and the resourcefulness and cooperativeness of our suppliers the world over. We acknowledge with gratitude our indebtedness to each of these groups.

By Order of the Board of Directors,

*Chairman*

*President*

March 21, 1957

**MARSHALL FIELD & COMPANY**

**INCOME STATEMENT**

| | Fiscal Year Ended January 31, 1957 | Fiscal Year Ended January 31, 1956 |
|---|---|---|
| NET SALES | $211,004,140 | $201,257,360 |
| DEDUCT: | | |
| Materials and services purchased from others | $137,573,779 | $130,606,938 |
| Wages, salaries and employe benefit costs | 51,680,688 | 49,413,970 |
| Provision for depreciation and amortization | 3,301,675 | 3,006,226 |
| Taxes, other than social security and Federal income taxes | 2,364,455 | 2,269,072 |
| Net interest expense | 550,525 | 521,762 |
| Federal income taxes | 7,996,000 | 8,025,000 |
| | $203,467,122 | $193,842,968 |
| NET INCOME FOR THE YEAR | $ 7,537,018 | $ 7,414,392 |

**EARNED SURPLUS**

| | | |
|---|---|---|
| BALANCE AT JANUARY 31, 1956 | | $54,536,694 |
| Net income for the year | | 7,537,018 |
| | | $62,073,712 |
| Cash dividends declared on— | | |
| Cumulative Preferred Shares, 4¼% Series | $ 637,500 | |
| Common Shares ($2.25 per share) | 4,383,104 | 5,020,604 |
| BALANCE AT JANUARY 31, 1957 | | $57,053,108 |

**MARSHALL FIELD & COMPANY BALANCE SHEETS**

| ASSETS | January 31, 1957 | January 31, 1956 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash | $ 10,788,748 | $ 11,623,253 |
| United States Government securities and other short-term investments, at cost | 18,775,144 | 26,794,852 |
| Receivables from customers and others, less reserves for doubtful accounts of $1,133,501 at the end of each year | 25,978,645 | 25,541,912 |
| Merchandise inventories, priced at the lower of cost or market | 32,610,032 | 29,274,783 |
| Prepaid insurance, supply inventories, etc. | 1,379,716 | 1,629,238 |
| Total Current Assets | $ 89,532,285 | $ 94,864,038 |
| FIXED ASSETS: | | |
| Land, at cost | $ 18,548,734 | $ 18,067,477 |
| Buildings, leaseholds and equipment, at cost | 74,375,302 | 63,235,984 |
| | $ 92,924,036 | $ 81,303,461 |
| Less — Reserves for depreciation and amortization | 28,027,475 | 25,831,077 |
| Net Fixed Assets | $ 64,896,561 | $ 55,472,384 |
| GOODWILL, TRADEMARKS, ETC. | $ 1 | $ 1 |
| | $154,428,847 | $150,336,423 |

NOTE:

At January 31, 1957, options were outstanding for 100,795 Common Shares out of the 174,800 shares referred to above. Options for 42,545 shares at $29.00 per share were granted during the period 1950-1954. Options for 58,250 shares were granted on August 24, 1956, when the Company entered into restricted stock option agreements providing that such shares may be purchased by 30 of its

| LIABILITIES | January 31, 1957 | January 31, 1956 |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 7,688,953 | $ 6,250,388 |
| Accrued Federal income taxes | 8,022,678 | 8,639,925 |
| Other accrued liabilities | 10,487,314 | 9,883,422 |
| Total Current Liabilities | $ 26,198,945 | $ 24,773,735 |
| 3¾% NOTES, maturing from 1972 to 1982 | $ 30,000,000 | $ 30,000,000 |
| CAPITAL STOCK: | | |
| Cumulative Preferred Shares— | | |
| Authorized 300,000 shares of $100 par value, issuable in series—4¼% Series; redeemable at premium of $4.00 per share; issued and outstanding 150,000 shares | $ 15,000,000 | $ 15,000,000 |
| Common Shares— | | |
| Authorized 4,000,000 shares of no par value, of which 174,800 shares may be sold to officers or employes without first offering such shares to the shareholders (see note); issued and outstanding 1,948,963 shares at January 31, 1957 and 1,943,763 shares at January 31, 1956, at stated value | 16,969,615 | 16,818,815 |
| AMOUNT PAID IN FOR SHARES IN EXCESS OF PAR OR STATED VALUE | 9,207,179 | 9,207,179 |
| EARNED SURPLUS ($28,000,000 not available for dividends on Common Shares as long as 3¾% Notes are outstanding) | 57,053,108 | 54,536,694 |
| | $ 98,229,902 | $ 95,562,688 |
| | $154,428,847 | $150,336,423 |

officers and executives at $34.20 per share which represented approximately 95 per cent of the highest market price on that date. With respect to the 58,250 shares, each such officer or executive may purchase on or after August 31, 1957 one-fifth of the shares allocated to him and another fifth on or after each August 31 from 1958 to 1961 inclusive.

**AUDITORS' CERTIFICATE**

# ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

*To the Shareholders of*
*Marshall Field & Company:*

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of January 31, 1957, and the related statements of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the year ended January 31, 1956.

In our opinion, the accompanying balance sheet and statements of income and earned surplus present fairly the financial position of Marshall Field & Company as of January 31, 1957, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
March 6, 1957